

**VERMONTVILLE TOWNSHIP**  
**FINANCIAL STATEMENTS**  
For the year ended March 31, 2004

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <u>VERMONTVILLE TOWNSHIP</u>	County <u>Eaton</u>
Audit Date <u>MARCH 31, 2004</u>	Opinion Date <u>June 16, 2004</u>	Date Accountant Report Submitted to State: <u>August 30, 2004</u>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGR).			X

Certified Public Accountant (Firm Name) <u>WALKER, FLUKE &amp; SHELTON PC</u>			
Street Address <u>525 W APPLE ST</u>		City <u>HASTINGS</u>	State <u>MI</u>
Accountant Signature <u>Katharine J Sheldon, CPA</u>		ZIP <u>49058</u>	
<u>Walker, Fluke &amp; Sheldon, PC</u>			

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**WALKER, FLUKE & SHELDON, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Christopher J. Fluke, CPA  
Katherine K. Sheldon, CPA

525 W. Apple Street  
Hastings, MI 49058  
www.walkerflukeandsheldon.com

Phone (269) 945-9452  
Fax (269) 945-4890  
E-mail: walkerfluke@voyager.net

**INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Vermontville Township  
Eaton County, Michigan

We have audited the accompanying general purpose financial statements of Vermontville Township, Eaton County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of Vermontville Township, Eaton County, Michigan's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Vermontville Township, Eaton County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements and schedules listed in the table of contents as supplemental data are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Vermontville Township, Eaton County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Hastings, Michigan  
June 16, 2004

*Walker, Fluke & Sheldon, PLC*

**VERMONTVILLE TOWNSHIP  
COMBINED BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS  
March 31, 2004**

ASSETS	GOVERNMENTAL FUND TYPES		ACCOUNT GROUPS			FIDUCIARY FUND TYPES		TOTAL (MEMORANDUM ONLY)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt		Pension Trust	Trust and Agency	
Cash and Cash Equivalents	\$ 65,029	\$ 86,365	\$ -	\$ -	\$ -	\$ -	\$ 71,181	\$ 222,575
Investments	178,179	131,772	-	-	-	28,045	-	337,996
Receivables								
Taxes	3,092	5,999	-	-	-	-	-	9,091
Administrative Fees	923	-	-	-	-	-	-	923
Due From State	12,080	-	-	-	-	-	-	12,080
Due From Other Funds	77,025	30,143	-	-	-	-	-	107,168
Fixed Assets	-	-	563,333	-	-	-	-	563,333
Total Assets	\$ 336,328	\$ 254,279	\$ 563,333	\$ -	\$ -	\$ 28,045	\$ 71,181	\$ 1,253,166

The Notes to Financial Statements are an integral part of this statement.

VERMONTVILLE TOWNSHIP  
COMBINED BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS (Continued)  
March 31, 2004

LIABILITIES AND FUND EQUITY	GOVERNMENTAL FUND TYPES		ACCOUNT GROUPS			FIDUCIARY FUND TYPES		TOTAL (MEMORANDUM ONLY)
	General	Special Revenue	General Fixed Assets	General Long-Term Debt	Pension Trust	Trust and Agency	Primary Government	
Liabilities								
Accounts Payable	\$ 1,486	\$ 18,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,553
Accrued Liabilities	6,515	609	-	-	-	-	-	7,124
Due to Other Funds	-	35,624	-	-	-	-	71,544	107,168
Due to Local Units of Government	-	-	-	-	-	-	(363)	(363)
Deferred Revenue								
Taxes	<u>4,014</u>	<u>5,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,013</u>
Total Liabilities	<u>12,015</u>	<u>60,299</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>71,181</u>	<u>143,495</u>
Fund Equity								
Investment in Fixed Assets	-	-	563,333	-	-	-	-	563,333
Fund Balances								
Designated	57,333	-	-	-	-	-	-	57,333
Unreserved--Undesignated	<u>266,980</u>	<u>193,980</u>	<u>-</u>	<u>-</u>	<u>28,045</u>	<u>-</u>	<u>-</u>	<u>489,005</u>
Total Fund Equity	<u>324,313</u>	<u>193,980</u>	<u>563,333</u>	<u>-</u>	<u>28,045</u>	<u>-</u>	<u>-</u>	<u>1,109,671</u>
Total Liabilities and Fund Equity	<u>\$ 336,328</u>	<u>\$ 254,279</u>	<u>\$ 563,333</u>	<u>\$ -</u>	<u>\$ 28,045</u>	<u>\$ 71,181</u>	<u>\$ -</u>	<u>\$ 1,253,166</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES**  
**March 31, 2004**

	<b>GOVERNMENTAL FUND TYPES</b>		<b>TOTAL (MEMORANDUM ONLY)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Primary Government</b>
<b>Revenues</b>			
Taxes and Penalties	\$ 41,124	\$ 62,240	\$ 103,364
Licenses and Permits	118	-	118
State Grants	94,123	2,763	96,886
Contributions From Local Units	-	1,000	1,000
Charges for Services	47,349	18,955	66,304
Interest and Rentals	7,682	6,107	13,789
Other Revenue	5,835	17,315	23,150
<b>Total Revenues</b>	<b>196,231</b>	<b>108,380</b>	<b>304,611</b>
<b>Expenditures</b>			
Current			
Legislative	11,182	-	11,182
General Government	76,652	-	76,652
Public Safety	7,570	47,320	54,890
Public Works	22,138	-	22,138
Health and Welfare	37,303	-	37,303
Recreation and Cultural	-	49,465	49,465
Other	19,726	-	19,726
Capital Outlay	899	20,191	21,090
Debt Payments			
Principal	15,455	-	15,455
Interest and Fees	355	-	355
<b>Total Expenditures</b>	<b>191,280</b>	<b>116,976</b>	<b>308,256</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,951</b>	<b>(8,596)</b>	<b>(3,645)</b>
<b>Fund Balance--April 1, 2003</b>	<b>319,362</b>	<b>202,576</b>	<b>521,938</b>
<b>Fund Balance--March 31, 2004</b>	<b>\$ 324,313</b>	<b>\$ 193,980</b>	<b>\$ 518,293</b>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND AND SPECIAL REVENUE FUNDS**  
**For the Year Ended March 31, 2004**

	GENERAL FUND			SPECIAL REVENUE FUNDS			TOTAL		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>									
Taxes and Penalties	\$ 39,913	\$ 41,124	\$ 1,211	\$ 60,051	\$ 62,240	\$ 2,189	\$ 99,964	\$ 103,364	\$ 3,400
Licenses and Permits	-	118	118	-	-	-	-	118	118
State Grants	100,000	94,123	(5,877)	2,700	2,763	63	102,700	96,886	(5,814)
Contributions From Local Units	-	-	-	-	1,000	1,000	-	1,000	1,000
Charges for Services	20,000	47,349	27,349	15,124	18,955	3,831	35,124	66,304	31,180
Interest and Rentals	500	7,682	7,182	850	6,107	5,257	1,350	13,789	12,439
Other Revenue	-	5,835	5,835	17,500	17,315	(185)	17,500	23,150	5,650
<b>Total Revenues</b>	<b>160,413</b>	<b>196,231</b>	<b>35,818</b>	<b>96,225</b>	<b>108,380</b>	<b>12,155</b>	<b>256,638</b>	<b>304,611</b>	<b>47,973</b>
<b>Expenditures</b>									
<b>Current</b>									
Legislative	9,528	11,182	(1,654)	-	-	-	9,528	11,182	(1,654)
General Government	59,073	76,652	(17,579)	-	-	-	59,073	76,652	(17,579)
Public Safety	5,080	7,570	(2,490)	34,300	47,320	(13,020)	39,380	54,890	(15,510)
Public Works	46,950	22,138	24,812	-	-	-	46,950	22,138	24,812
Health and Welfare	47,100	37,303	9,797	-	-	-	47,100	37,303	9,797
Recreation and Cultural	-	-	-	46,500	49,465	(2,965)	46,500	49,465	(2,965)
Other	19,890	19,726	164	-	-	-	19,890	19,726	164
Capital Outlay	899	899	-	25,890	20,191	5,699	26,789	21,090	5,699
Debt payments	-	-	-	-	-	-	-	-	-
Principal	-	15,455	(15,455)	-	-	-	-	15,455	(15,455)
Interest and Fees	-	355	(355)	-	-	-	-	355	(355)
<b>Total Expenditures</b>	<b>188,520</b>	<b>191,280</b>	<b>(2,760)</b>	<b>106,690</b>	<b>116,976</b>	<b>(10,286)</b>	<b>295,210</b>	<b>308,256</b>	<b>(13,046)</b>
<b>Excess of Revenues Over</b>									
<b>(Under) Expenditures</b>	<b>(28,107)</b>	<b>4,951</b>	<b>33,058</b>	<b>(10,465)</b>	<b>(8,596)</b>	<b>1,869</b>	<b>(38,572)</b>	<b>(3,645)</b>	<b>34,927</b>
<b>Fund Balance--April 1, 2003</b>	<b>319,362</b>	<b>319,362</b>	<b>-</b>	<b>202,576</b>	<b>202,576</b>	<b>-</b>	<b>521,938</b>	<b>521,938</b>	<b>-</b>
<b>Fund Balance--March 31, 2004</b>	<b>\$ 291,255</b>	<b>\$ 324,313</b>	<b>\$ 33,058</b>	<b>\$ 192,111</b>	<b>\$ 193,980</b>	<b>\$ 1,869</b>	<b>\$ 483,366</b>	<b>\$ 518,293</b>	<b>\$ 34,927</b>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND BALANCE - TRUST FUNDS**  
**For the Year Ended March 31, 2004**

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	<u>Pension Trust</u>
Operating Revenues	
Contributions to Pension Plan	\$ -
Investment Income (Loss)	<u>1,673</u>
Total Operating Revenues	<u>1,673</u>
Operating Expenses	
Administrative	-
Distributions to Participants	<u>14,317</u>
Total Operating Expenses	<u>14,317</u>
Net Income	(12,644)
Fund Balance--April 1, 2003	<u>40,689</u>
Fund Balance--March 31, 2004	<u>\$ 28,045</u>

The Notes to Financial Statements are an integral part of this statement.

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**DESCRIPTION OF TOWNSHIP OPERATIONS**

Vermontville Township is situated in at the western edge of Eaton County and encompasses the Village of Vermontville. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities.

**REPORTING ENTITY**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present Vermontville Township and its component units. The criteria established by the GASB for determining the reporting entity includes, oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**BASIS OF PRESENTATION**

The accounts of the Township are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of Vermontville Township are recorded in separate funds and account groups, categorized as follows:

**GOVERNMENTAL FUNDS**

**General Fund**

This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of the general Vermontville Township governmental departments, boards and commissions. The fund includes the general operating expenditures of the local unit.

**Special Revenue Funds**

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

**FIDUCIARY FUNDS**

**Pension Trust**

The pension trust fund accounts for the Township's single-employer public employee retirement plan.

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Trust and Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include: (a) Expendable Trust Funds; (b) Nonexpendable Trust Funds; (c) Pension Trust Funds; and (d) Agency Funds.

**ACCOUNT GROUPS**

General Fixed Assets Account Group

This Account Group presents the fixed assets of the local unit utilized in its general operations (non-proprietary fixed assets).

Fixed assets used in the general operation of Vermontville Township are recorded as expenditures when purchased and are accounted for in the General Fixed Assets Account Group. No depreciation is recorded for these general fixed assets. Infrastructure assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are not capitalized.

General Long-Term Debt Account Group

This Account Group presents the balance of general obligation Long-Term Debt, which is not recorded in proprietary or trust funds.

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of Vermontville Township conform to generally accepted accounting principles as applicable to governmental units.

Governmental Funds

The Governmental Fund Types (General and Special Revenue) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on long-term debt, which is recognized when due, and accrued vacation and sick leave, which is recorded when payable from current available financial resources.

Fiduciary Funds

The Fiduciary Funds are maintained on a cash basis, which is consistent with the accounting measurement objectives of the funds. Reporting these funds on a cash basis does not have an effect materially different from reporting them on the accrual or modified accrual basis as required by generally accepted accounting principles.

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2004**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**FIXED ASSETS**

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Asset Group of Accounts, rather than in governmental funds. No depreciation has been provided on such fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at its estimated fair market value on the date donated.

**BUDGETS, BUDGETARY ACCOUNTING AND BUDGET BASIS OF ACCOUNTING**

Budgets are adopted for all governmental fund types, as required by law. Budgets are adopted at the activity level. The combined statement of revenues, expenditures, and changes in the fund balance - all governmental funds present comparisons at the functional level. The Township uses the same basis of accounting for budgeting purposes as for financial statement presentation. The budget figures used are not the original amounts adopted at the beginning of the year. The budget has been amended by the Township Board at regularly scheduled meetings in accordance with the requirements of P.A. 621 of 1978.

**ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by Vermontville Township.

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**RECEIVABLES - TAXES**

The Township's property taxes are levied and become a lien on each December 1 based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28. After that date, they are added to the county delinquent tax rolls.

The 2003 State taxable valuation of the Township totaled \$36,849,400, on which ad valorem taxes levied consisted of .8854 mills for Township operating purposes, .9815 mills for the Township's fire operations and .7360 mills for the Township's library operations, raising \$32,609 for operating purposes, \$36,151 for fire operations, and \$15,961 for library operations. The amounts recognized in the financial statements as current property tax revenue represent 2003 taxes collected prior to March 31, 2004. The amounts recognized in the financial statements as delinquent property tax revenue represent the 2002 delinquent taxes collected in the current fiscal year.

The delinquent real property taxes of the Township are purchased by Eaton County. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes. These taxes have been recorded as deferred revenue for the current year since they are not available to fund expenditures of the current period.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2004**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**TOTAL COLUMN ON COMBINED STATEMENTS - OVERVIEW**

The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

**COMBINING FINANCIAL STATEMENTS**

Combining financial statements are not presented for the general fund because it is the only fund of its type.

**FUND BALANCE - DESIGNATED**

In the general fund, parts of the fund balance have been designated for the opera house, ambulance and cemetery. By designating a portion of fund balance for a specific purpose, the Township Board has established a policy that the amounts designated be used for a specific purpose. The Township Board can change the amounts so designated if they desire.

**EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>TOTAL APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
<b>General:</b>			
Legislative	\$ 9,528	\$ 11,182	\$ 1,654
General Government			
Board of Review	\$ 675	\$ 865	\$ 190
Treasurer	\$ 10,233	\$ 11,191	\$ 958
Cemetery	\$ 800	\$ 31,225	\$ 30,425
Public Safety			
Planning and Zoning	\$ 5,080	\$ 7,570	\$ 2,490
Debt Service	\$ -	\$ 15,810	\$ 15,810
<b>Special Revenue:</b>			
Public Safety	\$ 34,300	\$ 47,320	\$ 13,020
Recreational and Cultural	\$ 46,500	\$ 49,465	\$ 2,965

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2004**

**BALANCE SHEET-CASH AND INVESTMENTS**

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated investment grade; and mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated two banks for the deposit of Vermontville Township funds.

The Township retirement system's investments are held in trust by the investment fiduciary, McDonald Investments. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township cash deposits are as follows:

<b><u>DEPOSIT</u></b>	<b><u>CARRYING AMOUNT</u></b>	<b><u>BANK BALANCE</u></b>
Insured (FDIC)	\$ 131,789	\$ 131,792
Uninsured	<u>400,737</u>	<u>407,178</u>
Total Deposits	\$ <u>532,526</u>	\$ <u>538,970</u>
Cash and Cash Equivalents	\$ 222,575	\$ 229,019
Investments in Certificates of Deposit with a Maturity Greater Than Three Months	<u>309,951</u>	<u>309,951</u>
Total Deposits	\$ <u>532,526</u>	\$ <u>538,970</u>

Vermontville Township's investments are in accordance with statutory authority. The nature of the investments does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

<b><u>PENSION TRUST</u></b>	<b><u>CARRYING VALUE</u></b>	<b><u>MARKET VALUE</u></b>
Money Market Funds	\$ 7,003	\$ 7,003
Mutual Funds	<u>21,042</u>	<u>21,042</u>
Total Investments	\$ <u>28,045</u>	\$ <u>28,045</u>

**VERMONTVILLE TOWNSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended March 31, 2004**

**FIXED ASSETS**

A summary of the changes in the general fixed asset group of accounts is as follows:

	<u>BALANCE</u> <u>3/31/03</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>3/31/04</u>
Land	\$ 18,627	\$ -	\$ -	\$ 18,627
Buildings & Land Improvement	46,995	-	-	46,995
Equipment	<u>476,622</u>	<u>21,089</u>	<u>-</u>	<u>497,711</u>
Total	<u>\$ 542,244</u>	<u>\$ 21,089</u>	<u>\$ -</u>	<u>\$ 563,333</u>

**INTERFUND RECEIVABLES AND PAYABLES**

The amounts of the interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND</u> <u>RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND</u> <u>PAYABLES</u>
General	\$ 77,025	Fire	\$ 35,624
Fire	30,027	Trust and Agency	<u>71,544</u>
Library	<u>116</u>		
	<u>\$ 107,168</u>		<u>\$ 107,168</u>

**LONG-TERM DEBT**

The following is a summary of changes in general Long-Term Debt of Vermontville Township for the year ended March 31, 2004:

	<u>NOTES</u> <u>PAYABLE</u>
Long-Term Debt Payable - 4/1/03	\$ 15,455
Additions	-
Retirements	<u>(15,455)</u>
Long-Term Debt Payable - 3/31/04	<u>\$ -</u>

Total interest expense for the Township for the year amounted to \$355.

During the year ended March 31, 2004, the Township paid in full the Eaton County Road Commission contract.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2004**

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**EMPLOYEE'S RETIREMENT SYSTEM - DEFINED CONTRIBUTION PLAN**

The Township contributes to a defined contribution pension plan for its employees. The participants' accounts are held by McDonald Investments.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all elected officials of the Township. Contributions by the Township vest immediately. The Township contributes to the pension plan for the employees based on the following levels of compensation:

\$ 499.00	and	less	\$ 100.00
\$ 500.00	to	999.99	\$ 200.00
\$ 1,000.00	to	1,499.99	\$ 300.00
\$ 1,500.00	to	1,999.99	\$ 400.00

The contribution increases by \$100 for each additional compensation of \$499.99 or part thereof.

The actual pension contribution for the fiscal year, which was paid after March 31, 2004, was \$5,800, which was 21.97% of its current-year covered payroll of \$26,397. The total fiscal year payroll was \$58,191.

**RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township's manages it's risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan for property, general liability, and employee bond coverage. The Michigan Township Participating Plan was established in April 1985, pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Township Participating Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount. The individual members are responsible for their self-retention amounts (deductibles) which vary from member to member.

**VERMONTVILLE TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended March 31, 2004**

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**RISK MANAGEMENT (Continued)**

At March 31, 2004, there were no claims which exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

**COMMITMENTS AND CONTINGENCIES**

The Township is the defendant in a lawsuit arising from an ordinance violation. In the opinion of management, the outcome of this lawsuit will not have a materially adverse effect on the accompanying financial statements and accordingly, no provision for a loss has been recorded.

**VERMONTVILLE TOWNSHIP  
COMBINING BALANCE SHEET -  
SPECIAL REVENUE FUNDS  
March 31, 2004**

<u>ASSETS</u>	<u>FIRE FUND</u>	<u>LIBRARY FUND</u>	<u>TOTAL</u>
Cash and Cash Equivalents	\$ 45,371	\$ 40,994	\$ 86,365
Investments	114,948	16,824	131,772
Receivables			
Taxes and Assessments	3,428	2,571	5,999
Due From Other Funds	<u>30,027</u>	<u>116</u>	<u>30,143</u>
Total Assets	<u>\$ 193,774</u>	<u>\$ 60,505</u>	<u>\$ 254,279</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities			
Accounts Payable	\$ 17,999	\$ 68	\$ 18,067
Accrued Liabilities	-	609	609
Due To Other Funds	35,624	-	35,624
Deferred Revenue			
Taxes and Assessments	<u>3,428</u>	<u>2,571</u>	<u>5,999</u>
Total Liabilities	<u>57,051</u>	<u>3,248</u>	<u>60,299</u>
Fund Equity			
Fund Balance			
Unreserved--Undesignated	<u>136,723</u>	<u>57,257</u>	<u>193,980</u>
Total Fund Equity	<u>136,723</u>	<u>57,257</u>	<u>193,980</u>
Total Liabilities and Fund Equity	<u>\$ 193,774</u>	<u>\$ 60,505</u>	<u>\$ 254,279</u>

**VERMONTVILLE TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS**  
**For the Year Ended March 31, 2004**

<u>Revenues</u>	<u>FIRE FUND</u>	<u>LIBRARY FUND</u>	<u>TOTAL</u>
Taxes:			
Current Property Tax	\$ 32,723	\$ 24,538	\$ 57,261
Delinquent Property Tax	2,845	2,134	4,979
Total Taxes	35,568	26,672	62,240
State Grants	-	2,763	2,763
Contributions From Local Units	-	1,000	1,000
Charges for Services			
Fire Runs	18,416	-	18,416
Copies	-	539	539
Total Charges for Services	18,416	539	18,955
Interest and Rentals	2,276	3,831	6,107
Other:			
Donations	-	1,633	1,633
Penal Fines	-	15,273	15,273
Miscellaneous	-	409	409
Total Other	-	17,315	17,315
Total Revenues	56,260	52,120	108,380
<u>Expenditures</u>			
Public Safety:			
Fire Department:			
Salaries and Wages	8,105	-	8,105
Fringes	620	-	620
Operating Supplies	3,816	-	3,816
Telephone	833	-	833
Insurance and Bonds	10,295	-	10,295
Professional Services	13,471	-	13,471
Utilities	3,836	-	3,836
Repairs and Maintenance	4,351	-	4,351
Uniforms and Protective Clothing	1,835	-	1,835
Miscellaneous	158	-	158
Capital Outlay	20,191	-	20,191
Total Public Safety	67,511	-	67,511

**VERMONTVILLE TOWNSHIP**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE-SPECIAL REVENUE FUNDS (Continued)**  
**For the Year Ended March 31, 2004**

<u>Expenditures (Continued)</u>	<u>FIRE FUND</u>	<u>LIBRARY FUND</u>	<u>TOTAL</u>
Recreation and Cultural:			
Library:			
Salaries and Wages	-	28,167	28,167
Fringes	-	2,155	2,155
Books and Tapes	-	9,424	9,424
Supplies	-	2,272	2,272
Travel	-	369	369
Telephone	-	700	700
Insurance	-	1,228	1,228
Contractual Services	-	2,414	2,414
Summer Programs	-	565	565
Professional Services	-	547	547
Co-op Costs	-	1,595	1,595
Miscellaneous	-	29	29
	<u>-</u>	<u>49,465</u>	<u>49,465</u>
Total Recreation and Cultural	<u>-</u>	<u>49,465</u>	<u>49,465</u>
Total Expenditures	<u>67,511</u>	<u>49,465</u>	<u>116,976</u>
Excess of Revenues Over (Under)			
Expenditures	(11,251)	2,655	(8,596)
Fund Balance--April 1, 2003	<u>147,974</u>	<u>54,602</u>	<u>202,576</u>
Fund Balance--March 31, 2004	<u>\$ 136,723</u>	<u>\$ 57,257</u>	<u>\$ 193,980</u>

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended March 31, 2004**

<u>Revenues</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Taxes and Penalties:			
Current Property Taxes		\$ 29,516	
Delinquent Taxes		1,858	
Collection Fees		9,750	
Total Taxes and Penalties	\$ 39,913	<u>41,124</u>	\$ 1,211
Licenses and Permits:			
Dog Licenses		118	
Total Licenses and Permits	-	<u>118</u>	118
State Grants:			
State Revenue Sharing:			
Sales Tax		90,985	
Other		3,138	
Total State Grants	100,000	<u>94,123</u>	(5,877)
Charges for Services:			
Charges for Services		40,264	
Cemetery Foundations		2,560	
Sale of Cemetery Lots		1,000	
Cemetery Burial Fees		3,525	
Total Charges for Services	20,000	<u>47,349</u>	27,349
Interest and Rentals:			
Interest		5,132	
Rentals		2,550	
Total Interest and Rentals	500	<u>7,682</u>	7,182
Other Revenue:			
Donations		3,935	
Sale of Fixed Asset		200	
Miscellaneous		1,700	
Total Other Revenue	-	<u>5,835</u>	5,835
Total Revenues	<u>160,413</u>	<u>196,231</u>	<u>35,818</u>

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2004**

<u>Expenditures</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Legislative:</b>			
Salaries		2,462	
Contracted Services		4,657	
Association Dues		944	
Printing and Publishing		206	
Supplies		925	
Miscellaneous		<u>1,988</u>	
Total Legislative	<u>9,528</u>	<u>11,182</u>	<u>(1,654)</u>
<b>General Government:</b>			
Supervisor:			
Salary		6,668	
Supplies		<u>7</u>	
Total Supervisor	6,768	<u>6,675</u>	93
Assessor:			
Contracted Services		<u>8,200</u>	
Total Assessor	8,803	<u>8,200</u>	603
Clerk:			
Salary		7,703	
Supplies		306	
Telephone		<u>482</u>	
Total Clerk	8,743	<u>8,491</u>	252
Board of Review:			
Per Diem and Fees		675	
Printing and Publishing		<u>190</u>	
Total Board of Review	675	<u>865</u>	(190)
Treasurer:			
Salary		9,544	
Supplies		1,464	
Miscellaneous		<u>183</u>	
Total Treasurer	10,233	<u>11,191</u>	(958)

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b><u>Expenditures (Continued)</u></b>			
Township Hall:			
Supplies		174	
Utilities		5,048	
Maintenance and Repairs		5,539	
Miscellaneous		143	
Total Township Hall	23,950	10,904	13,046
Cemetery:			
Salary		4,800	
Supplies		8,073	
Contracted Services		15,014	
Insurance		1,549	
Professional Services		340	
Miscellaneous		550	
Capital Outlay		899	
Total Cemetery	800	31,225	(30,425)
Total General Government	59,972	77,551	(17,579)
<b>Public Safety:</b>			
Planning and Zoning:			
Contracted Services		7,570	
Total Planning and Zoning	5,080	7,570	(2,490)
Total Public Safety	5,080	7,570	(2,490)
<b>Public Works:</b>			
Highways:			
Contracted Services		22,138	
Total Highways	46,950	22,138	24,812
Total Public Works	46,950	22,138	24,812

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**For the Year Ended March 31, 2004**

<u>Expenditures (Continued)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>Health and Welfare:</b>			
Ambulance:			
Salary		23,708	
Supplies		2,391	
Contracted Services		4,958	
Telephone		287	
Maintenance and Repairs		1,969	
Uniforms and Protective Clothing		1,610	
Miscellaneous		2,380	
Total Ambulance	<u>47,100</u>	<u>37,303</u>	<u>9,797</u>
Total Health and Welfare	<u>47,100</u>	<u>37,303</u>	<u>9,797</u>
<b>Other:</b>			
Insurance and Bonds		10,404	
Retirement		5,800	
Fringes		3,522	
Total Other	<u>19,890</u>	<u>19,726</u>	<u>164</u>
<b>Debt Service:</b>			
Principal		15,455	
Interest and Fees		355	
Total Debt Service	<u>-</u>	<u>15,810</u>	<u>(15,810)</u>
Total Expenditures	<u>188,520</u>	<u>191,280</u>	<u>(2,760)</u>
Excess of Revenues Over Expenditures	(28,107)	4,951	33,058
Fund Balance--April 1, 2003	<u>319,362</u>	<u>319,362</u>	<u>-</u>
Fund Balance--March 31, 2004	<u>\$ 291,255</u>	<u>\$ 324,313</u>	<u>\$ 33,058</u>

**VERMONTVILLE TOWNSHIP**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -**  
**ALL TRUST AND AGENCY FUNDS**  
**For the Year Ended March 31, 2004**

<u>CURRENT TAX COLLECTION FUND</u>	<u>Balance 3/31/03</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 3/31/04</u>
Assets:				
Cash	<u>\$ 69,286</u>	<u>\$ 921,300</u>	<u>\$ 919,405</u>	<u>\$ 71,181</u>
Total Assets	<u>\$ 69,286</u>	<u>\$ 921,300</u>	<u>\$ 919,405</u>	<u>\$ 71,181</u>
Liabilities:				
Due to Other Funds	\$ 69,286	\$ 103,498	\$ 101,240	\$ 71,544
Due to Eaton County	-	420,830	420,830	-
Due to Maple Valley Schools	-	264,629	264,992	(363)
Due to Lakewood Public Schools	-	756	756	-
Due to Eaton Intermediate School District	-	<u>131,587</u>	<u>131,587</u>	-
Total Liabilities	<u>\$ 69,286</u>	<u>\$ 921,300</u>	<u>\$ 919,405</u>	<u>\$ 71,181</u>



**WALKER, FLUKE & SHELDON, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Christopher J. Fluke, CPA  
Katherine K. Sheldon, CPA

525 W. Apple Street  
Hastings, MI 49058  
www.walkerflukeandsheldon.com

Phone (269) 945-9452  
Fax (269) 945-4890  
E-mail: walkerfluke@voyager.net

June 16, 2004

To the Township Board  
Vermontville Township, Eaton County, Michigan  
Vermontville, MI

We have recently completed an audit of the financial statements of the Vermontville Township, Eaton County, Michigan for the year ended March 31, 2004. During the course of the audit, the following items came to our attention, which require further comment.

**Budgets Should Be Reviewed On A Periodic Basis**

The general appropriations act passed before the beginning of each fiscal year is the legal authority for the Township to spend public moneys. The general appropriations act specifies amounts that may be spent by budget category. The Township does not have legal authority to spend amounts in excess of specific appropriations.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting and does not require a new public hearing. During the year ended March 31, 2004, the Township's actual expenditures exceeded their appropriations at several activity levels.

It is recommended that the Township closely monitor the expenditures in relation to amounts appropriated and amend the budget when necessary. Consideration should also be taken at year-end for any known audit adjustments that may arise.

**The Township Has Not Adopted A Depreciation Policy**

During the course of the audit, it was noted that the Township does not have a depreciation policy. A depreciation policy sets forth the method and lives that the Township's capital assets will be depreciated for GASB 34 purposes. This policy will become critical with the implementation of GASB 34, which requires more detailed accounting in the area of fixed assets.

It is recommended that the Township adopt a depreciation policy that would specify the method and useful lives to apply to the fixed asset listing to calculate depreciation expense.

**Cemetery Activity**

During the course of the audit, we spent a significant amount of time balancing and posting the cemetery activity to the Township general ledger. This additional work is outside the normal procedures required by an audit and is costly to the Township. This is a repeat comment from prior years.

Although the cemetery records are maintained independently of the Township, they are an integral part of the Township and the Township has oversight responsibility. All expenditures should be submitted to the Township for approval and the activity should be recorded in the Township general ledger.

It is recommended that the cemetery activity be presented to the Township board for approval on a monthly basis. The activity would then be recorded in the Township receipts and disbursements journals a monthly basis and posted to the general ledger as part of the general fund.

### **Cemetery Sexton Payments**

During the course of the audit, it was noted that payments to the cemetery sexton are being treated as both wages and contract services. In addition, the W-2 form issued for the wage portion was incorrectly prepared.

According to the Internal Revenue Service, people who perform services that the Township can control what will be done and how it will be done is generally an employee. If the Township provides the necessary tools or supplies, dictates the time and place of the work to be performed or supervises the work, the Township has control and there is an employer/employee relationship. In addition, employees are typically paid a salary or by the hour, while independent contractors are paid by the job. Typically, individuals should be treated as an employee or independent contractor, not both.

The Township should evaluate the duties of the cemetery sexton to determine the proper classification based on the Internal Revenue Code. Once, the proper classification has been determined the proper tax filings should be done on a quarterly or annual basis in accordance with IRS Regulations.

### **General Fixed Asset Group Of Accounts**

During the course of the audit, it was noted that the Township has not updating its detailed schedule of general fixed asset group of accounts. The amount in the financial statements represents the previous years audited figure adjusted for current year additions and disposals. This is a repeat comment from the prior audit.

The general fixed asset group of accounts represents the fixed assets of the Township. A schedule or listing of fixed assets is essential to protect the Township's property. The general fixed asset listing should include the original date purchased or obtained, the description of the item and the amount paid. The general fixed assets should be classified among recommended asset classes as follows: Land, Buildings, Improvements Other Than Buildings, Equipment, and Construction In Progress.

We recommend that the Township update the listing of its general fixed asset group of accounts at least yearly. To arrive at the current balance in the general fixed asset group of accounts, we suggest scheduling the capital outlay from the last update. Entries in the general ledger that are not referenced as to the detail of the items purchased should be traced to the corresponding disbursements journal and ultimately to the invoice. Next, we suggest that the inventory of all known general fixed assets be updated. This inventory list should be compared to the general fixed asset group of accounts. Items on the inventory list that are not included on the general fixed asset group of accounts should be added. If the approximate date of acquisition is known, a reasonable market value as of that date should be recorded. Each year this schedule should be updated for additions and disposals.

We would like to take this opportunity to thank the Vermontville Township Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Finkle & Sheldon, PLLC